

DIRECTORS' REPORT

Statutory Information

The directors present their report together with the financial report of the Group, being the Company, its controlled entities, and the Group's interest in jointly controlled assets, for the financial year ended 30 June 2023, and the auditor's report thereon.

Carnarvon Energy Limited is a listed public company incorporated and domiciled in Australia.

Directors

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.



William (Bill) A Foster

Chair

BE (Chemical)

Appointed as a director on 17 August 2010 and appointed as Chair on 11 November 2020.

Mr Foster is an internationally experienced energy executive who has worked with Chevron, a Middle Eastern National Oil Corporation as well as US and ASX listed independents. He spent 30 years with Marubeni Corporation as Energy Advisor until his retirement, assisting in the development of their Oil, Gas and LNG business. During this time, a global business was established with Tokyo, London, Houston, Singapore and Perth offices. Mr Foster was a director of Marubeni's various exploration and production subsidiaries and a former director of Tap Oil Ltd.

Mr Foster's activities have covered a broad range of areas relevant to the oil and gas industry and he has extensive, commercial, financial and mergers and acquisitions experience, as well as that from his engineering background.

During the past three years Mr Foster has not served as a director of any other listed company.



Adrian C Cook

Chief Executive Officer and Managing Director

B Bus, CA, MAppFin, FAICD

Appointed as a director on 1 July 2011

Mr Cook has over 30 years' experience in commercial and financial management, primarily in the energy industry. Immediately prior to joining Carnarvon, he was the Managing Director of Buru Energy Limited, an ASX listed oil and gas exploration and production company with interests in the Canning Basin in Western Australia. Mr Cook has also held senior executive positions within Clough Limited's oil and gas construction business and was on the executive committee at ARC Energy Limited, an ASX listed mid cap oil and gas exploration and production company. Mr. Cook is a fellow of the Australian Institute of Company Directors.

During the past three years Mr Cook has not served as a director of any other listed company. Mr Cook joined Carnarvon on 2 November 2009 and was appointed to the Board on 1 July 2011.

DIRECTORS' REPORT



Peter Moore

Non-Executive Director

B.Sc (Hons Geology), MBA, PhD, GAICD.

Appointed as a director on 18 June 2015.

Dr Moore has extensive experience in exploration and production in Australia and internationally gained through senior roles with a number of globally recognised companies. Dr Moore led Woodside's worldwide exploration efforts as the Executive Vice President Exploration reporting to the CEO and was the Head of the Geoscience function (Exploration, Development, Production, M&A).

During the past three years Dr Moore served as a non-executive Director of Beach Energy Limited (since 2017).

Dr Moore is Chair of the Risk, Governance and Sustainability Committee and a member of the Audit Committee and the Remuneration and Nomination Committee.



Gavin Ryan

Non-Executive Director

LLB (Hons)

Appointed as a director on 30 July 2018.

Mr Ryan is a lawyer with over thirty years' experience, gained mostly in the oil & gas sector. He has also held commercial, external affairs and government relations roles in his extensive industry career.

He has worked on projects in some thirty countries, primarily as in-house counsel for companies including BP, BHP Petroleum and Shell. His time at Shell included being head of Shell Australia's upstream legal team, and five years as Associate General Counsel, Global Businesses in The Hague where he led the legal team advising Shell's global LNG trading business. His most recent in-house role was as General Counsel for PTTEP Australasia, a subsidiary of the Thai national energy company with substantial operated interests in Australia.

Mr Ryan has previously managed his own legal and consultancy practice advising clients in the petroleum, resources, power, engineering and logistics sectors, and is currently Senior Commercial Counsel at Hancock Prospecting Group.

He holds a number of directorships of unlisted and not-for-profit corporations.

He is Chair of the Remuneration & Nominations Committee.

DIRECTORS' REPORT



Debra Bakker

Non-Executive Director

MAppFin., BBus (FinAcc), Grad Dip FINSIA, GAICD

Appointed as director on 5 October 2020

Ms Bakker is an experienced financier and deal maker with more than 27 years' experience in the resources industry with significant international experience.

Ms Bakker has previously held senior positions with Commonwealth Bank of Australia, Standard Bank London Group and Barclays Capital. Ms Bakker is also an experienced non-executive director having held a number of positions with ASX resource companies.

During the past three years, Ms Bakker has served as a non-executive director for IGO Limited (since 2016) and non-executive chair of Ten Sixty Four Limited (since 2023).

Ms Bakker is Chair of the Audit Committee and a member of the Remuneration and Nomination Committee and the Risk, Governance and Sustainability Committee.



Mr Alex Doering



Mr Gavan Sproule

Company Secretary

Mr Alex Doering was appointed as joint company secretary in August 2019. Mr Doering is a qualified Chartered Accountant, an Associate of the Governance Institute of Australia and the Chief Financial Officer (appointed June 2023) at Carnarvon Energy.

Mr Gavan Sproule was appointed as joint company secretary in March 2022. Mr Sproule is a Fellow of the Governance Institute of Australia and General Counsel at Carnarvon Energy.

DIRECTORS' REPORT

Directors' meetings

The number of directors' meetings held and attended by each of the directors during the reporting period was as follows:

	(a)	(b)
WA Foster	8	8
AC Cook	8	8
P Moore	8	8
SG Ryan	8	8
D Bakker	8	8

(a) Number of meetings held and eligible to attend during period of office

(b) Number of meetings attended

Audit Committee

Names and qualifications of Audit and Risk Committee members

The Committee is to include at least 3 members. Current members of the committee are Ms Bakker (Chair of the Committee) Dr Moore and Mr Ryan. Qualifications of Audit and Risk Committee members are provided in the Directors section of this directors' report.

Audit Committee meetings

The number of Audit and Risk Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
D Bakker	2	2
P Moore	2	2
SG Ryan	2	2

(a) Number of meetings held during period of office

(b) Number of meetings attended

Risk, Governance and Sustainability Committee

Names and qualifications of Risk, Governance and Sustainability ("RGS") Committee members

The RGS Committee is to include at least 3 members. Current members of the committee are Dr Moore (Chair of the Committee), Mr Ryan and Ms Bakker. Qualifications of RGS Committee members are provided in the Directors section of this directors' report.

RGS Committee meetings

The number of RGS Committee meetings held and attended by the members during the reporting period was as follows:

	(a)	(b)
P Moore	2	2
D Bakker	2	2
SG Ryan	2	2

(a) Number of meetings held during period of office

(b) Number of meetings attended

DIRECTORS' REPORT

2023 REMUNERATION IN BRIEF FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 ("FY23")

FY23 remuneration outcomes at a glance

KMP Fixed Remuneration	Benchmark increases for senior executives	Total fixed remuneration (TFR) increased from the previous year according to industry benchmarks.
Short Term Incentive (STI)	No STI awarded to KMP during the year.	There was no STI awarded to KMP during the year based on the Board's discretion as a result of the Company's share price performance during the period.
Long Term Incentive (LTI)	No performance rights vested during the year.	No performance rights vested during the year. KMP (other than the CEO) were granted 2,509,634 LTI performance rights on 1 July 2022 and 2,893,092 LTI performance rights were granted to the CEO on 18 November 2022 following approval at the AGM. 3,146,930 LTI performance rights were granted and issued to KMP (other than the CEO) subsequent to the year end and 4,556,620 LTI performance rights were awarded to the CEO subsequent to the year-end which are subject to shareholder approval at the AGM to be held on 17 November 2023. These LTI performance rights are subject to the achievement of absolute and relative (to peer group) share price performance conditions in three years' time before they vest.
Non-executive directors	Fee changed during the year.	Base fees payable to non-executive directors remain unchanged from FY22 levels. Chair fees increased to \$200,000 per annum and committee Chair fees were increased to \$10,000 per annum to reflect industry benchmarks. Non-executive directors did not receive any other form of remuneration or incentives.

The statutory disclosures required by the Corporations Act are set out in the remuneration report on pages 30 to 42. These disclosures, particularly the inclusion of accounting values for LTI performance rights awarded but not vested, can vary significantly from the cash value of remuneration realised by senior executives. This is because the Accounting Standards require a value to be placed on a right at the time it is granted to a senior executive and then reported as remuneration even if ultimately the senior executive does not receive any actual value, for example because performance conditions are not met and the rights do not vest.

The following is an unaudited and non-IFRS summary of the cash value of remuneration realised by executive KMP for FY23, which the company believes is useful to shareholders. The amounts include cash salary and superannuation. No share-based payments vested to KMP during the year and therefore no value is included in the table below.

Table 1: Cash value of remuneration realised for executive KMP (unaudited):

Name	2023			2022		
	Salary \$	Super \$	Total cash \$	Salary \$	Super \$	Total cash \$
A Cook <i>Managing Director and Chief Executive Officer</i>	610,028	28,946	638,974	591,791	16,843	608,634
P Huizenga <i>Chief Operating Officer</i>	544,465	28,148	572,613	533,136	23,030	556,166
T Naude ¹ <i>Chief Financial Officer</i>	352,420	25,087	377,507	334,164	26,447	360,611
A Doering ² <i>Chief Financial Officer</i>	25,000	2,625	27,625	-	-	-
Total	1,531,913	84,806	1,616,719	1,459,091	66,320	1,525,411

¹ Current year amounts for Mr TO Naude reflect the remuneration received up to the date of his resignation as Chief Financial Officer on 31 May 2023.

² Amounts for Mr A Doering reflect the remuneration received from the date of his appointment as Chief Financial Officer on 1 June 2023.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2023. It has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report. At the Company's 2022 Annual General Meeting, the 2022 Remuneration Report was approved by the shareholders, with less than 25% of the votes cast going against its adoption.

KEY MANAGEMENT PERSONNEL ("KMP")

The Company's KMP are listed in Table 2. They are the Company's non-executive directors (NED) and executive KMP who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Table 2: Key management personnel during FY23

Name	Position	Period as KMP during the year
Executive KMP		
A Cook	Managing Director & Chief Executive Officer (CEO)	All of FY23
P Huizenga	Chief Operating Officer	All of FY23
T Naude	Chief Financial Officer	Resigned 31 May 2023
A Doering	Chief Financial Officer	Appointed 1 June 2023
Non-executive Directors		
W Foster	Independent Chair	All of FY23
P Moore	Non-executive Director	All of FY23
G Ryan	Non-executive Director	All of FY23
D Bakker	Non-executive Director	All of FY23

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Summary of Carnarvon's remuneration policy framework

Carnarvon's vision is to become a major Australian energy provider with expertise and capability that enables the generation of material returns for shareholders over any given medium-term time horizon and outperformance against the Company's peers.

Carnarvon's remuneration framework seeks to focus executives on delivering that purpose:

- Fixed remuneration aligns to market practice and prevailing economic conditions. It seeks to attract, motivate and retain executives focused on delivering Carnarvon's purpose.
- 'At risk' performance-based incentives link to shorter-term and longer-term Company goals. The goals contribute to the achievement of Carnarvon's purpose.
- Longer term 'at risk' incentives are also designed to directly align with shareholder objectives and interests. Half of longer-term incentives are based on the Company's share price performance against peers considered to be alternative investments to Carnarvon. The other half is based on the Company's absolute share price appreciation. Both measures are assessed over a three-year period and are entirely share based rewards to executives.

How Carnarvon makes decisions about remuneration

The Board determines Carnarvon's KMP remuneration based on recommendations made to the Board by its Remuneration and Nominations Committee. The Committee is to include at least 3 members who are all non-executive directors.

Members of the Committee during the 30 June 2023 financial year were Mr Ryan (Chair of Remuneration and Nomination Committee), Dr Moore and Ms Bakker. Qualifications of Remuneration & Nomination Committee members are provided in the Directors section of this directors' report.

The Remuneration and Nomination Committee Charter is available at Carnarvon's website: www.carnarvon.com.au/corporate-governance/. Carnarvon's Managing Director & CEO may attend Committee meetings by invitation in an advisory capacity. Other executives may also attend by invitation. The Committee excludes executives from any discussion about their own remuneration.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration & Nomination Committee meetings

The number of Remuneration & Nominations Committee meetings and the number attended by each of the members during the reporting period were as follows:

	(a)	(b)
SG Ryan	2	2
PS Moore	2	2
D Bakker	2	2

a) Number of meetings held during period of office.

b) Number of meetings attended.

External advisers and remuneration advice

Where an adviser is engaged by the company in relation to remuneration matters, the adviser is engaged by and reports to the Board or chair of the Remuneration and Nominations Committee. This protocol ensures any recommendations are free from undue influence by management. The Board or Committee Chair deals with the adviser on all material matters. Management involvement is only to the extent necessary to coordinate the work. No external advisors were engaged during FY23.

The Board and Committee seek recommendations from the Managing Director & CEO about executive remuneration. The Managing Director & CEO does not make any recommendation about his own remuneration. The Board and Committee have regard to industry benchmarking information.

How Carnarvon links performance to incentives

Carnarvon's remuneration policy includes short term (STI) and long-term (LTI) incentive plans. The plans seek to align management performance with shareholder interests.

The STI is an operationally focused target incentive plan which is only considered if key KPIs are met during the period. STI can be awarded in cash and / or performance rights with a vesting period of 12 months, with the allocation based on the Board's discretion.

The LTI links to an increase in total shareholder return over an extended period and is a share-based incentive through the Company's performance rights plan.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

This section details the remuneration structure for senior executives (Key Management Personnel, or KMP).

Service contracts

The contract duration, period of notice and termination conditions for key management personnel are as follows:

- (i) Adrian Cook, Chief Executive Officer, is engaged as a full time employee. Termination by the Company is with 12 months notice or payment in lieu thereof. Termination by Mr Cook is with 6 months' notice.
- (ii) Philip Huizenga, Chief Operating Officer, is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Huizenga is with 3 months' notice.
- (iii) Thomson Naude, Chief Financial Officer (resigned 31 May 2023), is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Naude is with 3 months' notice.
- (iv) Alex Doering, Chief Financial Officer (appointed 1 June 2023), is engaged as a full time employee. Termination by the Company is with 3 months notice or payment in lieu thereof and an additional payment of 3 months' remuneration. Termination by Mr Doering is with 3 months' notice.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration mix

Remuneration for KMP is a mix of a fixed cash salary component and an 'at risk' component. The 'at risk' component means that specific targets or conditions must be met before there is any entitlement to receive that component.

What is the balance between fixed and 'at risk' remuneration?

The remuneration structure and packages offered to KMP for the period were:

- Fixed remuneration; and
- 'At risk' remuneration comprising:
 - Short term incentive (STI) – annual cash and / or performance rights with a 12-month vesting period, which may be offered at the discretion of the Board, linked to Company and individual performance over a year.
 - Long term incentive (LTI) – performance rights-based incentive, which may be granted annually at the discretion of the Board, linked to the absolute and relative share price performance conditions measured over three years.

The balance between fixed and 'at risk' remuneration depends on the senior executive's role. The CEO has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.

Table 3: Shareholder wealth indicators FY19 – FY23:

	FY19	FY20	FY21	FY22	FY23
Share price at year-end	\$0.60	\$0.195	\$0.25	\$0.195	\$0.13
Basic earnings/(loss) per share	\$(0.64)	\$(0.26)	\$1.09	\$(3.31)	\$(0.23)

Table 4 sets out the relative proportions of the three elements of the executives KMP's total remuneration packages from 1 July 2022.

Table 4: Remuneration mix¹

Position	Performance Based Remuneration			Total 'at risk'
	Fixed Remuneration	STI	LTI	
	%	%	%	%
CEO	34	33	33	66
Other KMP	50	25	25	50

¹ The remuneration mix assumes maximum 'at risk' awards. Percentages shown later in this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.

Fixed remuneration

What is fixed remuneration?	Senior executives are entitled to a fixed cash remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.
How is fixed remuneration reviewed?	Fixed remuneration is determined by the Board based on external review and advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fixed remuneration for the year

Total fixed remuneration (TFR) of KMP is provided in Table 1 on Page 39. Page 39 reports on the remuneration for KMP as required under the Corporations Act.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12-month period. The period coincides with Carnarvon's financial year. The STI is offered to senior executives at the discretion of the Board based on company performance and performance against objectives. It is paid in cash and / or performance rights, with the allocation percentage at the Board's discretion. If awarded and subsequently vested, the Board has the discretion to approve the settlement of the STI performance rights in cash or equity.
How does the STI link	The STI is an at-risk opportunity for senior executives and is subject to the achievement of the performance threshold (see below), it rewards senior executives for meeting or exceeding key performance indicators. The key performance indicators link to Carnarvon's key purpose and goals set for KMP during the reporting period. The STI aims to motivate senior executives to meet Company expectations for success. Carnarvon can only achieve its purpose if it attracts and retains high performing senior executives.
What are the performance conditions or KPIs?	Carnarvon's key performance indicators (KPIs) are set by the Board for each 12-month period beginning at the start of a financial year. They reflect Carnarvon's financial and operational goals that are essential to it achieving its purpose. Senior executives may also have individual KPIs which are linked to the below Company KPIs to reflect their particular responsibilities to each KPI. The KPIs are chosen as they are value catalysts which are linked to the Company's strategic objectives. For the reporting period, the performance measures comprised:

STI Measures	Weighting 100%	
Company KPI's	Achieve ¹	Overperform ²
Bedout Divestment	30%	60%
Dorado Approvals	10%	30%
Dorado FID	10%	30%
New Ventures	20%	50%
Energy Transition	10%	40%
Maximum		100%

¹ The minimum percentage receivable if the hurdle is achieved.

² The maximum percentage receivable if achievement of the hurdle is overperformed.

Refer to Table 5 for more information.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

The value of the STI awards to individual KMPs

Incentive payments are based on a percentage of a senior executive's fixed remuneration. The CEO can earn up to a maximum of 100% of his fixed remuneration. The value of the award that can be earned by other KMP is up to a maximum of 50% of their fixed remuneration.

Assessment of performance conditions

The Board assesses the extent to which KPIs were met for the period after the close of the relevant financial year. The Board assesses the achievement of the KPIs for the CEO. The Board assesses the performance of other KMPs on the CEO's recommendation.

What happens if an STI is awarded

On achievement of the relevant KPIs Carnarvon will pay STI awards in cash and / or performance rights with a vesting period of 12 months provided the participants are employed by the company over the vesting period and as at the vesting date. The allocation of the award between cash and performance rights is at the Board's discretion. Carnarvon includes the cash and nominal value of any performance rights STI awards in its financial statements for the relevant financial year.

STI PERFORMANCE FOR THE YEAR

At the completion of the financial year, the Board tested each senior executive's performance against the STI performance conditions set for the year. Despite the achievement of KPIs during the period, the Board exercised its discretion and did not award an STI during the period based on the performance of the Company's share price.

On this basis, the percentage of the maximum STI that will be awarded or forfeited for the period for each executive KMP, was as follows (awarded/ forfeited):

KMP	STI Awarded	STI Forfeited
Adrian Cook	-	100%
Mr Huizenga	-	100%
Mr Naude	-	100%

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Despite there being no award during the year, the outcomes of the Company related performance conditions are outlined in Table 5.

The Company no longer utilises a share price performance gate, in relation to the ASX Energy Index, for STI awards. It was determined that a share price gate for STI awards was not consistent with the Company's peer group and the wider industry. Despite this, the Board retains ultimate discretion over STI awards as was exercised in the current financial year.

Table 5: Outcome of FY23 STI Company KPIs:

STI Measure	Description	STIP weight (%):		STI Performance and score
		Achieve ¹	Overperform ²	
Bedout Divestment	Complete partial Divestment of Bedout interests by 30 June 2023.	30%	60%	Score: KPI not achieved by 30 June 2023.
Dorado Approvals	Receive Offshore Project Proposal approval from NOPSEMA for the Dorado development by 30 June 2023.	10%	30%	Score: KPI achieved. Approval announced on 14 February 2023.
Dorado FID	Final Investment Decision for Dorado Phase-1 liquids development taken by 30 June 2023.	10%	30%	Score: KPI not achieved.
New Ventures	New Venture hydrocarbon acquisition announced by 30 June 2023.	20%	50%	Score: KPI not achieved.
Energy Transition	Energy transition, ESG or carbon-based transaction completed by 30 June 2023.	10%	40%	Score: KPI not achieved.

¹ The minimum percentage receivable if the hurdle is achieved.

² The maximum percentage receivable if achievement of the hurdle is overperformed.

STI performance rights issued

There were no STI awarded during the year in relation to FY23 performance.

LONG TERM INCENTIVE (LTI)

What is the LTI?	<p>The LTI is an equity based 'at risk' incentive plan which operates through a performance rights scheme approved by Carnarvon shareholders. The LTI aims to reward results that promote long term growth in shareholder value or total shareholder return (TSR).</p> <p>Carnarvon offers LTIs to senior executives at the discretion of the Board and offers to KMP as outlined in table 4.</p>
How does the LTI link to Carnarvon's key purpose?	<p>The LTI links to Carnarvon's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by:</p> <ul style="list-style-type: none"> • benchmarking shareholder returns against a group of companies considered alternative investments to Carnarvon and against absolute target returns • giving share based rather than cash-based rewards to executives. This links their own rewards to shareholder expectations of company performance, especially share price growth.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

How are the number of rights issued to senior executives calculated?	The award of performance rights is at the absolute discretion of the Board. The number of performance rights granted to the executives under the LTI is calculated as fixed remuneration at 30 June of the Financial Year multiplied by the relevant percentage divided by the market value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using the Company's closing share price on 30 June.																
What equity based grants are given and are there plan limits?	Carnarvon grants performance rights using the formula set out above. If the performance conditions are met, senior executives have the opportunity to acquire one Carnarvon share for every vested performance right. There are no plan limits as a whole for the LTI due to the style of the plan.																
What are the performance conditions?	<p>The two performance conditions used by Carnarvon are based on Total Shareholder Return (TSR) (1) in absolute terms and (2) relative to the returns of a group of companies considered alternative investments to Carnarvon, calculated using the closing share prices at a testing date of 30 June.</p> <p>The participants must also be employed by the Company over the vesting period and as at the vesting date.</p> <p>The vesting schedule of 50% of the performance rights is subject to relative TSR testing is as follows:</p> <table border="1" data-bbox="542 1055 1450 1182"> <thead> <tr> <th>Relative TSR Performance</th> <th>Level of vesting</th> </tr> </thead> <tbody> <tr> <td>Less than 50th percentile</td> <td>Zero</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Pro rata between 50% and 100%</td> </tr> <tr> <td>75th percentile or better</td> <td>100%</td> </tr> </tbody> </table> <p>Peer Group: 88 Energy, Buru Energy, Central Petroleum, Cooper Energy, Elixir Energy, Empire Energy, Galilee Energy, Helios Energy, Horizon Oil, Karoon Energy, Strike Energy, Tamboran Resources.</p> <p>The vesting schedule of 50% of the performance rights is subject to absolute TSR testing is as follows:</p> <table border="1" data-bbox="542 1189 1450 1473"> <thead> <tr> <th>Absolute TSR Performance</th> <th>% of performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>10% per annum return</td> <td>33%</td> </tr> <tr> <td>Between 10% and 20% per annum</td> <td>Pro rata between 33% and 100%</td> </tr> <tr> <td>Above 20% per annum</td> <td>100%</td> </tr> </tbody> </table>	Relative TSR Performance	Level of vesting	Less than 50 th percentile	Zero	Between 50 th and 75 th percentile	Pro rata between 50% and 100%	75 th percentile or better	100%	Absolute TSR Performance	% of performance rights that will vest	10% per annum return	33%	Between 10% and 20% per annum	Pro rata between 33% and 100%	Above 20% per annum	100%
Relative TSR Performance	Level of vesting																
Less than 50 th percentile	Zero																
Between 50 th and 75 th percentile	Pro rata between 50% and 100%																
75 th percentile or better	100%																
Absolute TSR Performance	% of performance rights that will vest																
10% per annum return	33%																
Between 10% and 20% per annum	Pro rata between 33% and 100%																
Above 20% per annum	100%																
Why choose these Performance conditions?	<p>Relative TSR is an appropriate performance hurdle because it ensures a proportion of each participants remuneration in linked to the return received by shareholders from holding shares in a company in the peer group for the same period.</p> <p>Absolute TSR is an appropriate performance hurdle because it ensures KMP performance is rewarded when a year-on-year improvement in shareholder value is achieved.</p>																
What happens to LTI performance rights on a change of control?	The Board reserves the discretion for early vesting in the event of a change of control of the Company. Adjustments to a participant's entitlements may also occur in the event of a company reconstruction and certain share issues.																

LTI equity awards issued or in operation during the year.

KMP (other than the CEO) were granted 2,509,634 LTI performance rights on 1 July 2022 and 2,893,092 LTI performance rights were granted to the CEO following approval at the AGM on 18 November 2022 on the basis outlined in the tables above. KMP (other than the CEO) were also awarded 3,146,930 LTI performance rights on 1 July 2023 on the basis outlined in the tables above. The CEO was awarded 4,556,620 LTI performance rights on 1 July 2023, which are subject to shareholder approval at the AGM to be held on 17 November 2023.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS:

The fees paid to non-executive directors are determined using the following principles. Fees are:

- not incentive or performance based, but are fixed amounts;
- determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of Board Committees;
- are benchmarked against industry peers on an annual basis; and
- driven by a need to attract and retain a diverse and well-balanced group of individuals with relevant experience and knowledge

Following an independent benchmarking analysis against Carnarvon's peers, the Board made changes to its fee structure in the current year. The benchmarking analysis was conducted by comparing Carnarvon non-executive director fees to those of a peer group comprising ASX-listed companies of similar size in both the resources and oil and gas sectors. Following the review, the Chair's fee was raised to \$200,000 per annum and the base director fee remained \$100,000 per annum to ensure Carnarvon will be able to attract and retain quality candidates.

Committee Chairs are paid an additional fee of \$10,000, an increase from \$5,000 in the previous period, to reflect the workload required of them in fulfilling those roles. No additional fees are payable to any director for membership of Board Committees.

The Director's fees are inclusive of superannuation contributions, which are paid by the Company.

Non-executive directors are entitled to be reimbursed at cost for their reasonable expenses incurred in the performance of their directors' duties.

At \$530,000, the aggregate remuneration of Carnarvon non-executive directors remains below the annual limit of \$600,000 approved by shareholders at the 2018 Annual General Meeting.

Details of the fees payable to non-executive directors for Board and committee membership for FY23 are set out in Table 6.

Table 6: FY23 non-executive directors' fees and Board Committee fees per annum:

Board		Board Committees					
Chair	Member	Chair	Member	Chair	Member	Chair	Member
\$	\$	Audit	Audit	Remuneration and Nomination	Remuneration and Nomination	RGS	RGS
\$	\$	\$	\$	\$	\$	\$	\$
200,000	100,000	10,000	-	10,000	-	10,000	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION, COMPANY AND CONSOLIDATED (CONTINUED)

Name	Short term benefits		Post-employment	Share-based payments	Long term benefits		Total (\$)	Total at risk %	Total issued in equity %
	Salary and fees (\$)	Short term cash bonus (\$)	Superannuation contributions (\$)	Performance Rights (\$) ⁴	Annual Leave (\$) ³	Long service leave (\$) ³			
Directors									
<i>Non-Executive</i>									
Mr WA Foster (Chair)									
2023	171,946	-	18,054	-	-	-	190,000	-	-
2022	150,000	-	-	-	-	-	150,000	-	-
Mr SG Ryan									
2023	110,000	-	-	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
Mrs D Bakker									
2023	\$99,548	-	10,452	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
Dr P Moore									
2023	99,548	-	10,452	-	-	-	110,000	-	-
2022	105,000	-	-	-	-	-	105,000	-	-
<i>Executive</i>									
Mr AC Cook (Chief Executive Officer)									
2023	610,028	-	28,946	265,992	45,654	40,921	991,541	26.8%	-
2022	591,791	-	16,843	523,134	42,616	(10,766)	1,163,618	45.0%	-
Other Executives									
Mr PP Huizenga (Chief Operating Officer)									
2023	544,465	-	28,148	114,883	49,924	23,293	760,713	15.1%	-
2022	533,136	-	23,030	190,207	38,804	2,594	787,771	24.1%	-
Mr TO Naude (Chief Financial Officer)¹									
2023	352,420	-	25,087	(36,104)	27,020	25,181	393,604	(9.2%)	-
2022	334,164	-	26,447	111,239	23,480	4,416	499,746	22.3%	-
Mr A Doering (Chief Financial Officer)²									
2023	25,000	-	2,625	-	1,927	-	29,552	-	-
2022	-	-	-	-	-	-	-	-	-
Total compensation: KMP									
2023	2,012,955	-	123,764	344,771	124,525	89,395	2,695,410	12.8%	-
2022	1,924,091	-	66,320	824,580	104,900	(3,756)	2,916,135	28.3%	-

Directors' fees are paid or payable to the director or a director-related entity.

¹ Amounts for Mr TO Naude reflect the remuneration received up to the date of his resignation as Chief Financial Officer on 31 May 2023.

² Amounts for Mr A Doering reflect the remuneration received from the date of his appointment as Chief Financial Officer on 1 June 2023.

³ These amounts represent the leave entitlement accrual for the year. The annual leave benefits have been included as long-term benefits as they are expected to be utilised over a period greater than 12 months.

⁴ KMP were granted 3,766,284 LTI performance rights during the year ending 30 June 2022 and 5,155,802 LTI performance rights in the current year for which a combined expense of \$380,875 was recognised at 30 June 2023. These figures do not include performance rights granted to Mr A Doering prior to him commencing as a KMP on 1 June 2023.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Ordinary shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in Carnarvon Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Net acquired/ (sold) on market	Award under Employee Share Plan	Received on exercise of options	Held at 30 June 2023
Directors					
WA Foster	1,425,938	-	-	-	1,425,938
AC Cook	15,938,797	-	-	-	15,938,797
P Moore	964,232	-	-	-	964,232
SG Ryan	305,221	-	-	-	305,221
D Bakker	574,774	-	-	-	574,774
Other Executives					
PP Huizenga	12,076,196	250,000	-	-	12,326,196
TO Naude	4,019,357	-	-	-	4,019,357 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

Plan shares held by key management personnel

Included in the above table are plan shares held by key management personnel held under the previous ESP loan scheme which are accounted for as in substance options (refer to page 65 for further terms). The balance and movement during the reporting period in the number of plan shares directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2023	Held at 1 July 2022	Granted as compensation	Employee Share Plan cancellations	Exercised	Held at 30 June 2023
Directors					
WA Foster	-	-	-	-	-
AC Cook	12,945,592	-	-	-	12,945,592
P Moore	-	-	-	-	-
SG Ryan	-	-	-	-	-
D Bakker	-	-	-	-	-
Other Executives					
PP Huizenga	11,976,196	-	-	-	11,976,196
TO Naude	3,992,512	-	-	-	3,992,512 ¹
A Doering ²	1,237,001	-	-	-	1,237,001

¹ This balance reflects the shares held by Mr TO Naude on the date that he resigned as Chief Financial Officer on 31 May 2023.

² Mr A Doering was appointed as Chief Financial Officer on 1 June 2023. His balance at 1 July 2022 is representative of the number shares he held as an employee (before becoming a KMP).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance rights - LTIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised	Lapsed	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and un-exercisable at 30 June 2023
Directors							
WA Foster	-	-	-	-	-	-	-
AC Cook	2,179,724	2,893,092	-	-	5,072,816	-	-
P Moore	-	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-	-
Other Executives							
PP Huizenga	1,001,092	1,328,724	-	-	2,329,816	-	-
TO Naude ¹	585,468	933,986	-	1,519,454	-	-	-
A Doering ²	180,000	246,924	-	-	426,924	-	-
Total	3,946,284	5,402,726	-	1,519,454	7,829,556	-	-

¹ Mr TO Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Mr A Doering's performance rights held as at 30 June 2023 include rights issued to him as part of the company's Employee Share Incentive Plan prior to commenting as Chief Financial Officer on 1 June 2023.

Performance rights - STIP held by key management personnel

2023	Held at 1 July 2022	Granted	Exercised ¹	Held at 30 June 2023	Vested and exercisable at 30 June 2023	Vested and un-exercisable at 30 June 2023
Directors						
WA Foster	-	-	-	-	-	-
AC Cook	544,931	-	544,931	-	-	-
P Moore	-	-	-	-	-	-
SG Ryan	-	-	-	-	-	-
D Bakker	-	-	-	-	-	-
Executives						
PP Huizenga	255,279	-	255,279	-	-	-
TO Naude	147,831	-	147,831	-	-	-
A Doering	-	-	-	-	-	-
Total	948,041	-	948,041	-	-	-

¹ The performance rights were exercised and settled in cash in the amount of \$184,868 on 18 July 2022 at the Board's discretion.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of performance rights granted to KMP during the year ended 30 June 2023 are:

KMP	Instrument	Grant date	Expiry date	Vesting date	Fair value per right \$	Exercise price	Number of performance rights granted	Number of performance rights vested	Maximum value to be recognised in future periods \$
A Cook	Performance rights - LTIP	18 Nov 2022	17 Nov 2032	30 Jun 2025	0.15	-	2,893,092	-	183,229
P Huizenga	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	1,328,724	-	106,298
T Naude	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	933,986	-	- ¹
A Doering	Performance rights - LTIP	1 Jul 2022	30 Jun 2032	30 Jun 2025	0.19	-	246,924 ²	-	19,754
Total							5,402,726	-	309,281

¹ Mr T Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Performance rights granted to Mr A Doering are representative of the rights received as an employee (before becoming a KMP).

Details of performance rights granted to KMP in previous years that are still vesting are:

KMP	Instrument	Grant date	Expiry date	Vesting date	Fair value per right \$	Exercise price	Number of performance rights granted	Number of performance rights vested	Maximum value to be recognised in future periods \$
A Cook	Performance rights - LTIP	12 Nov 21	1 Jul 31	30 Jun 24	0.24	-	2,179,724	-	174,378
P Huizenga	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	1,001,092	-	61,734
T Naude	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	585,468	-	- ¹
A Doering	Performance rights - LTIP	1 Jul 21	1 Jul 31	30 Jun 24	0.19	-	180,000 ²	-	11,100
Total							3,946,284	-	247,212

¹ Mr T Naude's performance rights lapsed in June 2023 after his resignation as Chief Financial Officer on 31 May 2023.

² Performance rights granted to Mr A Doering are representative of the rights received as an employee (before becoming a KMP).

End of Remuneration Report

DIRECTORS' REPORT

Non-audit services

The auditors have not performed any non-audit services over and above their statutory duties during the current reporting period.

Directors' interests

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary Shares	Performance Rights
WA Foster	1,425,938	-
AC Cook	15,938,797	5,072,816
P Moore	964,232	-
SG Ryan	305,221	-
D Bakker	574,774	-

Diversity

For the year ended 30 June 2023, women made up 20% of the Board and 42% of the Company's general work force.

The Board has set the following measurable diversity objectives for the 2023 financial year:

2023 Measurable objectives	Progress
Aim to have not less than 30% of the directors of each gender	Female Board representation in 2023 was 20% (2022: 20%).
Dedicated mentoring program for the female employees of the Company	The Company provided ongoing training, mentoring and professional support in the development of all employees' careers.
Maintain flexible work practices	The Company continued to maintain its flexible work practices which includes a parental leave policy and provides employees the ability to maintain flexible hours and to work from home where required.

Likely developments

The likely developments for the 2023 financial year are contained in the operating and financial review as set out on pages 6 to 24.

Environmental regulation and performance

The Group's oil and gas exploration and development activities are concentrated in offshore Western Australia. Environmental obligations are regulated under both State and Commonwealth law in Western Australia, depending on whether a permit sits in State or Commonwealth waters. The Group is not aware of any significant environmental breaches during the year ended 30 June 2023.

Dividends

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the current financial year (2022: Nil).

Auditor's independence declaration

The auditor's Independence Declaration under Section 307C of the Corporations Act is set out on page 46 and forms part of the directors' report for the financial year ended 30 June 2023.

Principal activities

During the course of the 2023 financial year the Group's principal activities continued to be directed towards oil and gas exploration, development and production.

DIRECTORS' REPORT

Identification of independent directors

The independent directors are identified in the Company's Corporate Governance Statement. The Corporate Governance Statement is available on Carnarvon Energy's website at: carnarvon.com.au/about-us/corporate-governance/.

Significant changes in state of affairs

In the opinion of the directors no significant changes in the state of affairs of the Group occurred during the current financial year other than as outlined in the operating and financial review as set out on pages 6 to 24.

Indemnification and insurance of directors and officers

During the period the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The policy prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid.

Deeds of Access and Indemnity have been executed by the Company with each of the directors and Company Secretary. The deeds require the Company to indemnify each director and Company Secretary against any legal proceedings, to the extent permitted by law, made against, suffered, paid or incurred by the directors or Company Secretary pursuant to, or arising from or in any way connected with the director or Company Secretary being an officer of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of the proceedings. The Company was not a party to any such proceedings during the year.

Operating and financial review

An operating and financial review of the Group for the financial year ended 30 June 2023 is set out on pages 6 to 24 and forms part of this report.

Indemnity of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Events subsequent to reporting date

On 14 July 2023, the Company issued 6,868,468 performance rights to KMP (other than the CEO) and other employees under the Company's performance rights plan.

On 14 July 2023, the Company cancelled 63,496 unvested performance rights following the resignation of a non-KMP in accordance with the terms of the Company's Performance Rights Plan.

On 31 July 2023, the Company surrendered the AC/P63 Exploration Permit.

On 16 August 2023, the Company surrendered the AC/P62 Exploration Permit.

On 16 August 2023, the Company announced completion of the partial divestment of its Bedout Sub-basin interest to OPIC Australia Pty Limited, a subsidiary of CPC Corporate, Taiwan. The company received US\$58 million upfront on completion date and will receive a further US\$90 million carry on the Company's forward exploration expenditure once Final Investment Decision is made on the Dorado Development.

Other than above, there is no other matters or circumstance has arisen since 30 June 2023 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- (i) The Group's operations; or
- (ii) The results of those operations; or
- (iii) The Group's state of affairs

DIRECTORS' REPORT

Rounding off

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. As a result, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



William A Foster

Chair

Perth, 30 August 2023